

## Message Text

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64

ACTION EB-07

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SUBJ GREAT LAKES SHIPPING - RATE INCREASES

TRANSMITTED HERewith IS TEXT OF ARTICLE ENTITLED "LAKE CARGO RATES TO JUMP" BY FREDERICK ROSE FROM MONTREAL GAZETTE OF FEBRUARY 20. THIS DISCUSSION OF RATES MAY BE RELEVANT TO POLICY REGARDING SEAWAY TOLLS SINCE ALMOST ALL THE TRAFFIC DESCRIBED MOVES THROUGH THE ST. LAWRENCE SEAWAY, ESPECIALLY THE MONTREAL-LAKE ONTARIO SECTION.

BEGIN TEXT. CARGO RATES ON THE GREAT LAKES AND ST. LAWRENCE RIVER WILL JUMP SHARPLY NEXT SHIPPING SEASON-- AS MUCH AS 50 PERCENT IN ONE IMPORTANT CASE. THE RATES APPLY TO MORE THAN 200 MILLION TONS OF ORE, COAL AND GRAIN CARRIED ON THE INLAND WATERS EACH YEAR. LAST YEAR'S RAFT OF EXPENSIVE LABOR SETTLEMENTS AND RISING FUEL COSTS MAKE THE INCREASES NECESSARY, SHIP OPERATORS SAY.

HIGHER COSTS COULD NOT BE IMMEDIATELY PASSED ON SINCE ALMOST 90 PERCENT OF GREAT LAKES HAULAGE IS DONE UNDER SEASONAL CONTRACT, BUT THEIR INFLUENCE IS NOT FELT AS THE NEXT SEASON'S SETTLEMENTS ARE MADE.

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HARDEST HIT WILL BE THE IRON ORE HAUL FROM MINES ON THE LOWER ST. LAWRENCE TO STEEL MILLS ALONG LAKE ERIE. THESE RATES WILL BE BOUND BY 50 PERCENT, OFFICIALS IN BOTH THE SHIPPING AND STEEL COMMUNITIES SAID.

BY FAR THE LARGEST SINGLE ITEM HAULED ON THE LAKES, IRON ORE REPRESENTS ABOUT 45 PERCENT OF TOTAL TONNAGE. CONTRACTUAL RATES FOR LAST SEASON WERE REPORTEDLY ABOUT \$1.85 PER TON. THESE WILL MOVE TO ABOUT \$2.70 PER TON. STEEL COMPANIES WHO CONTRACT WITH SHIP OPERATORS ARE UNHAPPY BUT REALISTIC. RATE INCREASES IN THE PRECEDING THREE YEARS AVERAGED ABOUT TWO PER CENT, OFFICIALS SAY, AND CHARGES FOR THE HAUL HAD SUNK TO UNATTRACTIVE LEVELS.

"I THOUGHT 40 PERCENT WOULD BE MORE LIKE IT, BUT IF THE 50 PER CENT LEVEL HAS BUILT UP MOMENTUM (AND IT HAS) THEN THAT'S WHAT IT WILL BE," A STEEL EXECUTIVE SAID EARLY THIS WEEK.

THE RATE FOR GRAIN HAULED FROM THUNDER BAY, ONT. TO PORTS ALONG THE ST. LAWRENCE WILL RISE SLIGHTLY MORE THAN 20 PERCENT, SHIP OPERATORS SAY. THE STANDARD RATE NEGOTIATED BY THE CANADIAN WHEAT BOARD WILL MOVE TO 15 1/4 CENTS PER BUSHEL FROM 12 1/2 CENTS LAST SEASON.

UNLIKE ORE RATES, THE WHEAT CHARGE HAD SEEN SUBSTANTIAL INCREASES--AVERAGING ABOUT 20 PERCENT IN EACH OF THE PRIOR TWO SEASONS.

COAL RATES ARE ALSO EXPECTED TO COME UNDER PRESSURE. NEGOTIATIONS, HOWEVER, ARE FAR FROM COMPLETE. SHIP OPERATORS SAID THEY ARE SEEKING INCREASES OF ALMOST 50 PER CENT. STEEL COMPANIES, WHO NEGOTIATE SHIPPING CHARGES ON A SEASONAL BASIS WITHIN LONGER TERM CONTRACTS, ARE HESITANT.

"IT SOUNDS PRETTY STOUT TO ME," SAID THE TRAFFIC MANAGER OF ONE CANADIAN FIRM.  
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HOWEVER, "IF THEY (SHIP OPERATORS) WRAP THE FUEL AND LABOR IN THERE, THE INCREASES COULD GET PRETTY CLOSE TO 50 PERCENT," HE SAID.

STRIKES WHICH NUMBED THE CANADIAN GREAT LAKES FLEET FOR A TOTAL OF OVER 10 WEEKS LAST SEASON BROUGHT A ROUND OF HIGH WAGE SETTLEMENTS.

UNLICENSED SEAMEN SETTLED FOR ABOUT 18 PERCENT IN EACH  
YEAR OF A TWO YEAR CONTRACT. DECK OFFICERS JUMPED  
THEIR PAY BY ABOUT 60 PERCENT OVER A TWO YEAR PERIOD.  
AND ENGINE ROOM OFFICERS MADE EQUAL GAINS.  
WHILE FUEL SURCHARGES WERE APPLIED TO SOME CARGOES,  
COAL WAS IN LARGE MEASURE UNPROTECTED. ONTARIO  
HYDRO IS WORKING OUT ARRANGEMENTS WITH ITS SHIP  
OPERATORS TO COVER THE INCREASE, THE COMPANY SAID.  
IMPACT OF THE RATE RISES ON CONSUMER PRICES IS  
DIFFICULT TO DETERMINE, SINCE THE CARGOES ARE BULK  
COMMODITIES WHICH REQUIRE CONSIDERABLE PROCESSION (SIC).  
WHEAT, PERHAPS CLOSEST TO CONSUMABLE FORM, OFFERS  
ONLY A SLIGHT INCREASE. WITH A LEGISLATED PRICE OF  
\$3.25 PER BUSHEL AT THUNDER BAY, A THREE CENT INCREASE  
IN TRANSPORTATION COST WOULD MEAN 1/2 PER CENT OR LESS  
INCREASE IN BREAD PRICES, ONE ECONOMIST ESTIMATES.  
END TEXT.  
PORTER

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